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C E N T R A L I N T E L L I G E N C E A G E N C Y

OFFICE OF NATIONAL ESTIMATES

23 June 1952

MEMORANDUM FOR THE BOARD

FROM: [redacted] 25X1A9a

SUBJECT: Changes in Draft of NIE-61

The following sections of the revised draft are new:

Conclusions

Paragraph 11

Paragraph 12

Paragraph 13 1st sentence

Paragraph 15 Last clause of 1st sentence and final sentence

Paragraphs 24-27

The remainder of the text remains as approved by the Board.

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C E N T R A L I N T E L L I G E N C E A G E N C Y

OFFICE OF NATIONAL ESTIMATES

23 June 1952

SUBJECT: NIE-61: Consequences of Communist Control over the Indian Subcontinent* (Revised Staff Draft for Board Consideration)

THE PROBLEM

To estimate the strategic consequences to the West and to the Soviet Bloc of the establishment of Communist control over the Indian subcontinent without either the Middle East or Southeast Asia having previously come under Communist control. Whether or not the subcontinent is likely to come under Communist control is a question beyond the scope of this estimate.

CONCLUSIONS

1. There is little likelihood that the Indian subcontinent will come under Communist control in the near future. If it should come under Communist control at some future time, conditions in other

* For the purposes of this estimate, the Indian subcontinent will be taken to include India, Pakistan, Afghanistan, the border states of Nepal, Sikkim, and Bhutan, and Ceylon.

areas will also have changed. Any estimate of political and psychological consequences in other areas based on present conditions in these areas would, therefore, be misleading. All that can be said is that Communist control over the Indian subcontinent would undoubtedly have profound and world-wide repercussions.

2. Although the UK and the other Commonwealth countries would suffer an almost intolerable financial strain if all access were denied to the subcontinent at this time, it is by no means certain either that the Communists would in fact sever all economic relations with the Commonwealth countries, or that the strain would be as great at some future time.

3. It can be estimated, however, that even under cold war conditions the West might be denied the strategic materials now being obtained from the subcontinent. The most important are mica, graphite, manganese and jute.

4. Although loss of these strategic materials would not significantly reduce defense and essential civilian consumption, the West would have to develop generally more expensive and qualitatively less satisfactory alternate sources, would have to develop substitute materials in some cases, and would have to accept some reductions in quantity and quality of output until these adjustments had been made.

5. The direct economic gain to the USSR would be slight. Although India is an important potential source of thorium for atomic energy purposes, the amount of the subcontinent's products which the Soviet Bloc could transport and absorb would be small.

6. Meanwhile, the development of the subcontinent into a major center of Communist industrial power would probably be precluded, at least for many years to come, by the inability or unwillingness of the USSR to supply the tremendous capital investment required and by the pressing nature of the economic problems which a Communist regime would almost certainly face.

7. The most important military consequences for the West, as well as for the Soviet bloc, would be essentially negative and indirect.

8. The West would be denied any prospect of the eventual availability of the subcontinent's forces and facilities and would have to divert military strength to meet the new strategic situation in the Indian Ocean area.

9. The immediate effect on the Soviet Bloc military capabilities would also be negative and indirect -- namely the denial of the area to the West and the requirement placed on the West to divert some of its present resources to the Middle East and the Far East.

10. Apart from these benefits, the Soviet Bloc would in the short run gain no significant accretion of military strength. Even in the long run it is unlikely that the USSR would find it militarily profitable or politically desirable to build up the subcontinent's military strength as it has that of Communist China.

DISCUSSION

I. POLITICAL AND PSYCHOLOGICAL CONSEQUENCES

11. There is little likelihood that the Indian subcontinent will come under Communist control in the near future. If it should come under Communist control at some future time, conditions in other areas will also have changed. Any estimate of political and psychological consequences in other areas based on present conditions in these areas would, therefore, be misleading. All that can be said is that Communist control over the Indian subcontinent would undoubtedly have profound and world-wide repercussions.

II. ECONOMIC CONSEQUENCES

A. Effect on the Economic Position of the West

12. In general, the economic consequences of Communist control over the Indian subcontinent would also depend on conditions in other areas at the time such control was attained. At the present time, for instance, Communist accession to power in the subcontinent would have profound though largely uncalculable economic repercussions upon the UK and the remainder of the Commonwealth. For example,

loss of the substantial British investments in India would constitute a serious financial blow to the UK; the UK, Australia and New Zealand would be seriously strained if forced to find substitutes in dollar markets for goods now obtained from the subcontinent; and the denial of bunkering and drydocking facilities and civil air rights would seriously interfere with British trade with the Far East, particularly with Australia and New Zealand. Whether a Communist subcontinent would in fact enforce the above restrictions, and whether the effects would be so serious at some future date, cannot be estimated.

13. It is possible, however, to estimate the consequences of the loss of Western access to the several strategic raw materials and the number of widely used though less critically important items of which the Indian subcontinent is now a major source. The principal commodities involved are as follows:*

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* India also has unequalled reserves of monazite sands, from which thorium (of potential use for atomic energy) and rare earths can be obtained, and also is a source of beryl, of some strategic importance in beryllium copper. Although India has thus far prohibited the export of monazite, it has entered into negotiation for its sale to the US. India restricts the exportation of beryl and the US has been able to obtain only minor amounts.

a. Manganese ore--India currently supplies about 25 percent of the non-Communist world's consumption of manganese ore, and about 35 percent of that used by the US. Since the Indian product is almost all markedly superior in grade to that obtainable elsewhere, its importance is greater than these percentage figures would indicate.

b. Mica--India is virtually the sole supplier to the West of the more critical classes of block and sheet muscovite mica, which is used in manufacture of vacuum tubes and other communications equipment, boiler gauges, and oxygen breathing equipment.

c. Graphite--Ceylon is now the only significant non-Communist source of high grade amorphous lump graphite, which is used in manufacture of carbon brushes for electrical equipment.

d. Jute and Jute products--India and Pakistan furnish virtually all the jute and jute products which enter world trade. Jute is the principal material used in bags and bale coverings for transport and storage of bulk commodities like grain, fertilizer, cement, and cotton.

e. Other products--India is the chief world supplier of premium quality kyanite, which is a high grade refractory used in electric furnace linings, electrical and chemical porcelain, and spark plugs; furnishes about 75 percent of the world's supply of high grade shellac; and provides about a quarter of the world's supply of opium for medical purposes. India and Ceylon together produce close to 85 percent of the tea entering international trade and about two thirds of the black pepper. Ceylon is a relatively minor source of rubber for the non-Communist world.

14. Communist control of the subcontinent would make the principal strategic materials listed above unavailable to the West in wartime and possibly under cold war conditions as well. The Communists would probably continue to export less critical items like tea, black pepper, and possibly jute in exchange for foodstuffs and other products not now subject to Western export controls. In addition, they might initially be willing to continue supplying strategic materials like manganese, mica, and graphite to the West if the latter did not apply to the subcontinent the export controls now in

force against the other Communist countries, since the loss of the petroleum products, machinery, and other controlled items which the subcontinent now obtains from the West in exchange for these strategic raw materials would impose a considerable strain on the economy of the subcontinent. However, a gradual drying up of the subcontinent's trade with the West would almost certainly take place, because the West would seek to develop alternate sources of critical materials and the Communists in the subcontinent would attempt to move toward greater self-sufficiency. Even a temporary modus vivendi would be out of the question if the USSR considered the denial of strategic materials to the West of sufficient importance or if the US and its allies imposed export controls.

15. Denial of the subcontinent's products to the West as a result of a Communist accession to power would require substantial readjustments on the part of the US and even greater readjustments on the part of its allies. The West would have to spend time and money in developing generally inferior alternate sources, would have to develop substitute materials in some cases, and would have to accept some reductions in quantity or quality of output until these adjustments had been made. Moreover, the US would be under greater pressure to give financial assistance to Western Europe whose already meager dollar resources would not permit the purchase of the many substitute materials available only in dollar areas.

16. The impact on the West of the denial of the subcontinent's strategic materials would depend on the extent to which stockpiling goals had been achieved and alternate sources expanded at the time that the subcontinent's resources were cut off. Although denial of these resources would not necessitate any significant reduction in defense and essential consumption in the US, the over-all effect, in terms of the magnitude of the readjustments required, would almost certainly be serious at any time up through 1954. The present outlook with respect to the principal strategic commodities named above is as follows:

a. Manganese ore--The US could initially maintain its own steel production by drawing on its manganese stockpile, and significant reductions in the output of other Western countries, where little stockpiling has taken place, could also be averted if US reserves were made available in sufficiently large quantity. The US stockpile, which was 45 percent complete at the end of 1951, is probably sufficient to meet all Western manganese requirements for about two and a half years. In the long run, adequate supplies of manganese could be obtained from other sources--notably Brazil, the Gold Coast, South Africa, Belgian Congo, and Angola-- where some expansion of facilities to meet the increasing

demand for manganese is already taking place. However, an increase in output sufficient to make up completely for the loss of Indian manganese would require several years in view of manpower and equipment shortages, transport and loading facility bottlenecks, and various other problems, and some curtailment of steel production might be required to prevent depletion of the stockpile before these other sources had come into full production. In any event, loss of the superior Indian ore would require adjustments in metallurgical practice, entailing some loss in rate of production, and higher costs.

b. Mica--Loss of the Indian supply of block and sheet mica would require drastic conservation measures in the US, where stockpiling is only about 20 percent complete, and even more stringent curbs on consumption in the other Western countries, where stockpiles are virtually nonexistent. Present US stocks of these critical classes of mica represent about a year's supply. Development of new sources would be very costly and the efforts being made to develop substitutes cannot be expected to show usable results for several years.

c. Graphite--Since Ceylon is the only source of high grade amorphous lump graphite, the US would have to draw on its stockpile, notably for such rigorous uses as carbon brushes in high-altitude aircraft, and would have to modify specifications for other end-items where inferior grades of graphite might possibly be used. Although the US stockpile was close to its goal of 3,356 metric tons at the end of 1951, that level represented only about a quarter of Ceylon's annual exports.

d. Jute and jute products--The loss would be serious, involving far-reaching conservation measures and costly adjustments, especially for countries like those of Western Europe where substitutes are less readily available.

e. Other products--Development of synthetic substitutes for Indian kyanite is well under way, and the loss of the Indian product should cause no serious difficulties. Loss of Indian shellac would involve higher costs and widespread inconvenience since different substitutes would have to be developed for most of the various uses of shellac. Loss of Indian opium would inconvenience the UK, which has obtained most of its supply from the subcontinent.

B. Effect on the Economic Position of the Soviet Bloc

17. At least in the short run, Communist control of the subcontinent would provide few economic benefits to the rest of the Soviet Bloc and might well prove to be an economic liability. The USSR would probably hasten to exploit India's thorium-bearing monazite for atomic energy development purposes, and the Bloc as a whole could probably use the limited amounts of rubber, cotton, and cotton textiles available, as well as moderate amounts of mica, graphite, iron and manganese ores, beryl, and jute products. Nevertheless, the amount of goods that the Soviet Bloc could absorb would be relatively small, in terms both of the subcontinent's present exports and of total Soviet Bloc consumption, and the strategic gain to the Bloc--except possibly with respect to monazite--would be meager.

18. The extent to which a Communist subcontinent would represent an economic liability for the rest of the Bloc would depend in the short run in part on the extent to which the subcontinent continued to obtain the present level of imports from the West, and in part on Communist ability to cope with the major internal readjustments arising from the transfer of political and economic power to a Communist regime. The cutting off of major Western imports would impose a

heavy economic strain on the subcontinent which the USSR would have difficulty in relieving. Just as the subcontinent's principal exports are commodities for which the Soviet Bloc has no great immediate need, so its principal present imports--notably petroleum products, machinery and other metal manufactures, industrial chemicals, and foodstuffs--are items which the Communist world cannot easily spare. The USSR's willingness and ability to make up for the loss of Western products would be sharply limited by competing demands within the Bloc, by the grave shortage of shipping facilities, and by the general concept that it is each Communist regime's responsibility to achieve economic goals through use of its own resources rather than through grants and loans from the USSR. The Soviet Bloc would probably thus be willing to supply the subcontinent's most urgent import requirements only to the limited extent that the subcontinent itself contributed goods needed by the Soviet Bloc. Although a subcontinent Communist regime could probably, under these circumstances, maintain itself in power by adopting extreme measures, it would almost certainly press the USSR for substantial economic assistance.

19. Action with regard to the subcontinent's food supply would be particularly urgent. Although the Soviet Bloc might be able to ship about one million tons of grain and Burma might be induced to provide another million tons, this total would represent only about half or less of the grain which the area has imported annually in

recent years. Local famines would probably occur despite ruthless methods of crop collection. If the Communists were sufficiently well entrenched to clash with religious sentiment, they might be able to save an additional million tons of grain now consumed by monkeys and cattle.

20. Industrial output would almost certainly decline. Although the USSR and Rumania could theoretically provide much of the six million metric tons of petroleum now obtained from the Middle East for internal consumption, lack of tankers would probably limit shipment to the subcontinent to insignificant amounts. Despite possible conversion of oil-burning equipment to coal, which is plentiful in the subcontinent, bottlenecks in production would almost certainly result. The denial of the spare parts and other capital equipment, industrial chemicals, and miscellaneous metal products previously obtained from the West would impose further curbs on industrial output.

21. Under these circumstances, the prospects of a Communist subcontinent's becoming a major center of Communist economic power appear exceedingly remote. The subcontinent has huge manpower reserves, the basic raw materials needed in heavy industry, and an extensive existing productive plant. However, large-scale exploitation of these resources would require considerable time and capital investment. On the basis of the Japanese experience, an industrial

complex of the order of that existing in Japan and Manchuria at the start of the World War II might theoretically be achieved in 15 to 20 years. However, such a rate of development would require the importation of capital equipment of the order of half a billion dollars annually. This would clearly be beyond the capabilities of a Communist regime, which would probably be cut off from the major Western sources of capital equipment, could expect only limited assistance from the USSR, and would probably be confronted with serious problems of internal economic adjustment as well. Although it is probable that an improvement in agricultural output and an expansion of certain critical industrial facilities would eventually be achieved, the general pace of industrial development would almost certainly be extremely slow.

III. MILITARY CONSEQUENCES

A. The Existing Situation

22. Forces. The nations of the subcontinent possess forces in being of approximately 650,000 some 1,500,000 trained reservists, and a vast reservoir of manpower. The armies of India and Pakistan, comprising more than 90 percent of the above active strength, are well-trained and well-disciplined forces of good fighting quality.

Both countries have small air forces designed primarily for support of ground operations and a few light naval surface vessels.*

23. Facilities. The subcontinent's other military assets include:

a. A large number of excellent airbases and airbase sites (notably in West Pakistan) within medium and heavy bomber range of major industrial and governmental centers in Soviet Central Asia and the interior of Communist China. Communications and other facilities are adequate for maintenance of large-scale operations from these bases.

b. Major ports, airbases, and other facilities which could be used: (1) for maintenance of communications between Western Europe and the Far East and for logistical support of possible military operations in the Middle or Far East or (2) for the support of air and naval action against these communications.

* See Annex A for further details on subcontinent military forces.

c. Limited facilities for production of arms and equipment. Although these facilities can supply significant amounts of small arms and ammunition, the subcontinent is dependent on outside sources for most other major items of material.

24. Western Interests. At present the military potential of the subcontinent is not available to the West except in certain minor respects such as British base rights in Ceylon and recruiting rights in Nepal. There is, however, an obvious Western interest in denial of this potential to Communism and in the possible future availability of some of these forces and facilities in certain contingencies. In particular, it is considered that, if relations between India and Pakistan can be stabilized, the military strength of Pakistan might become effective as a stabilizing factor in the Middle East and that Pakistani air bases might become available to the West in the event of general war.

B. Effect on Western Military Capabilities

25. The most important consequences of Communist control of the subcontinent on Western military capabilities would be essentially negative and indirect: (a) the denial of any prospect of the eventual availability of the subcontinent's forces and facilities; and

(b) the diversion of Western strength required to meet the new strategic situation in the Indian Ocean area. Mere denial of access to the subcontinent's ports and airfields would greatly hinder Western sea and air communications in the area. Even in time of peace, the fall of the subcontinent to Communism would require a substantial diversion of Western military resources to the Middle East and to Southeast Asia, if any effort were to be made to hold those areas. In the event of war, the availability of bases on the subcontinent to Soviet submarines, surface raiders, and aircraft would directly threaten Western communications in the Indian Ocean area, particularly Western access to the Persian Gulf, and would require a corresponding diversion of combat forces.

C. Effect on Soviet Bloc Military Capabilities

26. The immediate effect of Communist control of the subcontinent on Soviet Bloc military capabilities would also be negative and indirect: (a) relief from the potential danger of Western air attack from Pakistani bases; (b) denial of the forces and facilities of the subcontinent to the West; (c) the diversion of Western military resources to the support of the Middle East and Southeast Asia; (d) the diversion of Western combat strength to indecisive defensive operations in the Indian Ocean in the event of war.

27. Apart from the foregoing indirect consequences, the Soviet Bloc would gain no significant accretion of military strength and capabilities from Communist control of the subcontinent. In all probability the subcontinent's existing military establishments would have been demoralized and disrupted in the process of Communist accession to power and new, Communist-controlled military establishments would have to be created. In any case, any indigenous military forces would, for some time, be fully engaged in maintaining internal security or in defense of the subcontinent, in the event of war. Moreover, neither the existing capability of Soviet forces to overrun the Middle East nor that of Chinese Communist forces to overrun Southeast Asia would be materially enhanced by the participation of Communist forces from the subcontinent.

28. Even in the long run, the chances that a Communist subcontinent would contribute significantly to overall Soviet Bloc military capabilities are small. Although the USSR would have an opportunity to exploit the subcontinent's military potential much as it has that of Communist China, the Soviets would probably be deterred from doing so by the following considerations:

a. A large-scale buildup of subcontinent military forces and installations would require a heavy investment in technical and material assistance, either through

direct supply of military end-items or through development of the subcontinent's now limited war industry. This investment could be made only at the expense of military and economic requirements elsewhere in the Bloc which are likely to remain pressing for many years to come.

b. Difficulties of access and control would make a Soviet investment in subcontinent military power a risky one. Unlike Communist China, the subcontinent has no major land communications with the present Soviet Bloc and would therefore have to be supplied almost entirely by sea and air. In the event of war, the subcontinent military establishment's supply lines would thus be gravely vulnerable to Western naval interdiction.

c. Any large-scale buildup of the subcontinent military establishment, especially one which lessened the subcontinent's dependence on vulnerable supply lines, would weaken the control which the USSR itself could exercise over the subcontinent.

d. Such a buildup would offer little strategic gain to the Soviets. As indicated above, difficulties of terrain and the availability of adequate alternative forces would make it inexpedient--except possibly on political grounds--to use large contingents from the subcontinent in either Southeast Asia or the Middle East, the only areas in which they could be employed at all without a marked change in the world balance of naval power.

29. In view of these factors, the Soviet contribution to subcontinent military strength would probably be small. The USSR could be expected to provide some assistance in building up the subcontinent's armed forces and war industries, but only to the extent of internal security and defense requirements. The USSR would probably underwrite some expansion of subcontinent air and naval forces, possibly providing some interceptor and ground attack aircraft, as well as patrol craft, coastal submarines, and other light naval equipment similar to that it has supplied to Communist China and North Korea. The Soviets, however, would probably not wish to build up subcontinent air strength significantly, particularly in the absence of uninterrupted supplies of POL, and would almost certainly be unwilling to commit major naval units to the Indian Ocean area.